MEMORANDUM

May 28, 2007

Judge Arthur J. Schwab
United States District Court
Western District of Pennsylvania
700 Grant Street, Suite 7280
Pittsburgh, PA 15219

Dear Judge Schwab:

Enclosed is a photocopy of an email received recently from John Gibson regarding the WRS LABS case against Plaza Entertainment, Inc. and its former shareholders. I contacted John Gibson in response to a letter I received from your office *(which had been misaddressed first to an address in Los Angeles that is seven years outdated for me).* The contents of the letter from your court were very disturbing to me for several reasons:

1). To receive any sort of correspondence in the WRS matter was surprising as I was informed in October 2005 by John Gibson, Esq. in a telephone call that the motion to dismiss the suit had been granted and that this case was therefore closed. Apparently, there was a serious miscommunication or misunderstanding between he and I regarding the status of this case;

2). The motion letter received from your court seems to indicate that one of the co-defendants, John Herklotz, has filed a cross-complaint against the other co-defendants (myself and Charles von Bernuth);

3). As the notice was mailed to me at a long-outdated address in Los Angeles, it bounced back to your court and was forwarded to me nearly a month after the hearing. Quite possibly, your clerk will confirm this occurrence for you. The notice I received was not even in reference to a hearing on the Herklotz cross-complaint. Instead, it is a notification that the motion had already been granted. I'm guessing that there may have been an original notice of a scheduled hearing that was also mailed to me at the outdated address in Los Angeles? If so, I have not received any other forwarded mail, and as such, clearly did not have representation at this hearing. However, someone in your court did determine that the notice and mail had not reached me, and as such, typed out and forwarded the notice to me at my current and formally noticed address in Arkansas.

Clearly, not being notified of a hearing on a cross-complaint severely handicapped my ability to have representation and to be properly defended. Now I am told in the email below that that this is far more complex. Apparently, no one provided a proper ACCOUNTING in the WRS-Plaza Ent., dispute, and accordingly, defaults were entered against Plaza Entertainment and the former shareholders (including myself). Be advised that I am in receipt of the accounting records, and can prove that WRS actually owes a significant amount of money to Plaza Entertainment, Inc.

Without going into the volumes of detail that the accounting records support, I can summarize the situation in four points:

a). The outside auditors for WRS Labs confirmed in writing that as of August, 1999, the amount that Plaza Ent, Inc. owed to WRS Labs was $684,000. This date corresponds within thirty days of when WRS "took over" all accounting and collections for Plaza Entertainment titles under the SERVICES AGREEMENT.

b). As of October, 1999, the amount of outstanding receivables due to Plaza Ent., Inc. from purchasers was $1,064,000 (approximately $380,000 MORE than the total in billings due to WRS Labs for prior replication costs).

c). WRS was reportedly holding more than 50,000 video copies of Plaza Entertainment, Inc. titles in their inventory as of the date that they "took over" the accounting and collection functions. The value of this inventory, if sold at wholesale, would add another $250,000 in fresh billings.

d). WRS arbitrarily replicated additional videos without the consent of Plaza Entertainment, Inc., and WRS generated invoices for these "services". Plaza contends that these new replication services were either NOT performed by WRS, or that WRS was making more videos in order to FILL NEW ORDERS, which were not reported to Plaza as sales. There is no logical explanation for WRS to have generated additional video replication costs, unless it was to fill new orders.

Under the SERVICES AGREEMENT, WRS was entitled to retain fifty percent (50%) of all collections to apply against the "old" Plaza balance ($684,000), or thirty percent (30%) of collections reflecting any "new" replication work and new sales. All revenues were to have been disbursed from a bank lock box. However, Plaza Entertainment never received a single payment from WRS or their bank once the SERVICES AGREEMENT was implemented – *even though we have proof from purchasers that payments were sent into WRS and their bank*! Furthermore, the SERVICES AGREEMENT supersedes all prior agreements, including the WRS claim that the Plaza officers had personally guaranteed the replication bill. It appears that WRS is trying to pick-and-choose pieces of prior agreements to best suit their position, or to use the blanket of a prior bankruptcy to try and justify keeping all of the Plaza Entertainment revenues and excusing themselves from their reporting obligations.

It appears that neither myself as an individual, nor Plaza Entertainment, Inc. (as the primary defendant and corporation), were represented at any of the recent hearings in this matter. This is a surprise because we were never told that John Gibson had withdrawn, and in fact, his attached email confirms that he did not withdraw from representation. Still, why were we not given any correspondence or communication that hearings were occurring, and that the case was not (as previously reported to me), closed and over with?

I would like to be granted the opportunity to appeal any judgment in this matter on behalf of myself personally, as well as for Plaza Entertainment, Inc. I am quite happy to provide the court with the full accountings relating to this matter which will enable a more thorough review of the facts. Please note my address below as the current contact details for both myself as well as Plaza Entertainment, Inc.

We hope that you will grant us the opportunity to appeal the judgment that was entered against Plaza Ent., Inc. and Eric Parkinson.

Thank you for your consideration of these important issues.

Best Regards,

Eric Parkinson
Plaza Entertainment, Inc.
1722 N. College Ave. C-303
Fayetteville, AR 72703
Tel. 818-481-5277
Email: MajorFilms@aol.com

Cc: Charles von Bernuth, John C. Herklotz

Subj: **RE: WRS Lawsuit with Plaza Ent., Inc.**
Date: 5/21/2007 2:14:41 P.M. Central Standard Time
From: johngibson@hotmail.com
To: EricParkinson1@aol.com

Hi Eric:

Actually it is the opposite. Judge Schwab entered an enormous judgment against Plaza Entertainment and against Mr. Herklotz. There is an appeal pending in the Third Circuit by Mr. Herklotz. The Judge's basis for entering judgment against you and Mr. von Bernuth was that you did not advance funds to pay the accountants and he entered judgment "by default." That is probably the strongest basis for an appeal since answers were filed and there is an abundance of case law that says that it is improper to enter a judgment for that reason.

I haven't reviewed the accountants' reports but it seems strange to me since the accounting at WRS was, in fact, a total mess.

I did not move to withdraw my appearance for anyone in the District Court and I still can enter my appearance in the Third Circuit but this is going to involve considerable work and I can't afford to do it at half my hourly rate. If you are able to bring your bili current, please let me know and I will enter my appearance in the appeal and will resume billing.

Thank you.

John

John W. Gibson, Esquire
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Pittsburgh, PA 15219-4731
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Facsimile (412) 471-1473
johngibson@hotmail.com

From: *EricParkinson1@aol.com*
To: *c.bernuth@verizon.net*
CC: *diana@janddlaw.com, johngibson@hotmail.com*
Subject: *WRS Lawsuit with Plaza Ent., Inc.*
Date: *Mon, 21 May 2007 14:48:09 EDT*
MIME-Version: *1.0*
Received: *from imo-m26.mx.aol.com ([64.12.137.7]) by bay0-mc6-f5.bay0.hotmail.com with Microsoft SMTPSVC(6.0.3790.2668); Mon, 21 May 2007 11:48:43 -0700*
Received: *from EricParkinson1@aol.comby imo-m26.mx.aol.com (mail_out_v38_r9.2.) id 6.d00.10136fff (43930);Mon, 21 May 2007 14:48:09 -0400 (EDT)*

Charles -- did you speak with John Gibson yet? The last documents I have from the WRS - Plaza matter was that they case was dismissed because the accounting at WRS was such a shambles that there was no way to prove how much they had billed, collected for Plaza, etc. To the best of my knowledge, you and I and Plaza (and Herklotz?) were 100% released from the case. Is that your understanding???

Please advise.

ERIC PARKINSON
818-481-5277

Plaza Ent., Inc.
c/o Eric Parkinson
1722 N. College Ave. C-303
Fayetteville, AR 72703

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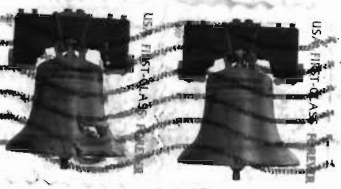

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